

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING COUNSELING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
(Dollars in Thousands)				
<u>Program Level:</u>				
Obligations .....	... a/	\$5,000	\$35,000	\$30,000
Appropriations: (Enacted or				
Proposed) .....	[20,000] a/	35,000	45,000	10,000
Budget Outlays .....	... a/	4,000	31,000	27,000

a/ Reported in the HOME Program account.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes \$45 million for Housing Counseling for fiscal year 2004. Funds for this activity were previously made available as a set-aside in the HOME appropriation. This funding is a \$10 million increase over fiscal year 2003 and reflects both the large unmet need for this program as well as its significant contribution to the President's goals of expanding national homeownership and adding 5.5 million new minority homeowners by the end of the decade.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2004 request for \$45 million is a \$10 million increase over the President's fiscal year 2003 budget. The fiscal year 2004 funding will serve an additional 250,000 (950,000 total) lower-income individuals and families. The 950,000 total clients served represents counseling provided in the following activities: 341,870 pre-purchase; 210,000 post purchase; 250,254 rental; 16,000 HECM; 25,000 homeless and 106,606 in other counseling services.

Housing Counseling is a critical element in the Administration's efforts to increase minority homeownership, which lag well behind the national average. This funding will continue the fight to eradicate discrimination in housing and will have the concurrent effect of increasing the overall national homeownership rate and support the President's and Secretary's goal of adding 5.5 million new minority homeowners by the end of the decade. The funding will help support additional and innovative outreach, and increase the availability of counseling services, in minority communities, assisting those individuals in buying a home and avoiding predatory lending practices. For example, FHA intends to earmark as much as \$1.7 million of the fiscal years 2003 and 2004 appropriation for targeted outreach and education in communities with high incidence of default and predatory lending, often neighborhoods with large minority and immigrant concentrations. As a result, thousands will learn about the availability of housing counseling and will potentially avoid predatory lending terms. An increase in funds will also enable counseling agencies in places like the Colonias, and across the country, to hire and train bilingual counselors and produce materials in multiple languages, in order to reach out to, and assist, recent immigrants, Hispanics and other minorities. The following table shows the comparison of the current use of funds with the proposed usage.

Housing Counseling Assistance

	Fiscal Year <u>2002</u>	Fiscal Year <u>2003</u>	Fiscal Year <u>2004</u>
	(Dollars in Thousands)		
National and Regional Intermediaries . . . . .	\$10,400	\$18,000	\$24,000
Local Housing Counseling Agencies . . . . .	6,600	9,000	15,000
Units of State or Local Governments . . . . .	...	2,000	...
State Housing Finance Agencies . . . . .	1,000	...	2,000
HECM Set-aside . . . . .	750	1,000	...
Colonias . . . . .	250	250	250
Housing Counseling Clearinghouse . . . . .	1,000	1,000	...
Training for Counselors . . . . .	<u>...</u>	<u>3,750</u>	<u>3,750</u>
Total . . . . .	20,000	35,000	45,000

PROGRAM DESCRIPTION AND ACTIVITY

The Housing Counseling Assistance program, administered by the Office of Housing, supports the delivery of a wide variety of housing counseling services to homebuyers, homeowners, low- to moderate-income renters, and the homeless. Counselors provide guidance and advice to help families and individuals improve their housing conditions and choices and meet the responsibilities of tenancy and homeownership. Agencies in the program may also provide Home Equity Conversion Mortgage (HECM) counseling to elderly homeowners who are looking to convert equity in their homes into income that can be used to pay for home improvements, medical costs, living expenses, or other expenses.

The great majority of appropriated funds are distributed through a yearly competition among applicants that meet eligibility requirements. In fiscal year 2002, more than \$18.25 million (appropriation of \$20 million) was awarded to over 344 organizations nationally, including 12 HUD-approved national and regional intermediaries. Intermediaries provide and manage sub-grants to networks of affiliated local community-based housing counseling agencies, to which they also provide training and technical assistance.

- Demand for Counseling Services - There is significantly more demand for housing counseling than the amount of housing counseling funds available. Supporting this assertion is both anecdotal evidence from housing counseling agencies and the fact that, in grant year fiscal year 2002, HUD received requests for \$13.3 million more funding than was available. In total, 437 organizations submitted proposals for \$31.6 million. Ultimately, 344 organizations were awarded approximately \$18.25 million. The Department is working with a variety of partners including State and local governments, as well as private and non-profit organizations to advance the Strategic Goal: Increase Homeownership Opportunities. Housing Counseling is an important means and strategy in advancing this Goal and it is anticipated that program demand will continue to grow.
- Efficient Use of Staff - FHA is placing increased emphasis on providing counseling through the funding of national and regional intermediary organizations, making a greater percentage of total funds for award available to intermediaries. As a result of this arrangement, an increase in program funding will allow the Department to expand the availability of counseling, without requiring significantly more Departmental staff time and other resources to properly manage the program. To further increase the efficiency and effectiveness of staff devoted to housing counseling, FHA plans to provide training in the following areas: (1) Section 8 Homeownership Program; (2) improved and streamlined process for monitoring local housing counseling agencies and intermediary affiliates; (3) changes to handbook provisions regarding conflict of interest; (4) new data collection/ performance measurement; and (5) use of a client-level management system for housing counseling agencies.

Housing Counseling Assistance

ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
FTE			
Headquarters	5	6	9
Field	82	86	87
Total FTE	87	92	96
S&E Cost (Dollars in Thousands)			
Personal Services	\$7,072	\$7,695	\$8,280
Travel	167	136	151
Printing	4	5	8
Other Services	8	4	3
Supplies	1	1	3
Total S&E Cost	\$7,252	\$7,841	\$8,445